

22 January 1965

DRAFT DCI BRIEFING FOR
SENATE FOREIGN RELATIONS COMMITTEE

THE SOVIET MILITARY POSTURE

I. The Intelligence Community has recently completed the annual series of important estimates on the principal components of Soviet military power.

A. These estimates conclude that there have been significant changes in the direction of certain Soviet military programs, including a marked movement toward achieving quality improvements.

II. Let me preface these conclusions by saying that we have a high degree of confidence in these estimates

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USAF review(s) completed.

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CONCLUSIONS

- I. To summarize our major conclusions, it is apparent that the Soviets are pursuing a dynamic, progressive military program, with advances under way in almost all important sectors of their military power. It is a sophisticated program directed more toward quality than toward quantity. There is always the possibility that the program we have observed might achieve a breakthrough of some sort which could redress the present balance of power. Specifically, we find that:
1. New and improved ICBMs are being developed, and hardened launchers are being deployed in a dispersed pattern.
 2. Tactical strike forces, ground and air, are being equipped with increasingly advanced and more powerful weapons, both nuclear and conventional.
 3. The Soviets are producing new and improved submarines with increased capabilities, equipped with both cruise and ballistic missiles. They are increasingly capable of long-range operations.
 4. Antiaircraft defenses are being strengthened.
 5. The Soviets are energetically pursuing research and development on antiballistic

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missile systems. Some ABM deployment may
already be under way.

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- II. Few if any of these appear to be crash programs, but they do reflect a dynamic effort--an insistent determination to achieve qualitative advances in military power which will assure the national security and international strategic power of the USSR.

SOVIET GENERAL PURPOSE FORCES

- I. Despite the rapid and costly development of Soviet strategic attack and defense forces, the ground, tactical air, naval, and military transport forces, often referred to as general purpose forces, are still the largest and most expensive component of the Soviet military establishment.
- II. The Soviets continue to retain a large number of line divisions--we estimate between 120 and 140.

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- A. Deployment is concentrated mainly in the European area, confronting NATO. East Germany alone has 20 Soviet divisions.
- B. The size of divisions has been reduced in recent years, and most of them have been reorganized into tank and motorized rifle divisions. All of them are small by Western standards, and their support is very light.

(PHOTOS, FROG, Scud, Shaddock)

1. Conventional artillery has been cut back sharply in favor of tactical missiles and Honest-John type rockets with nuclear and chemical warheads, some of which you see here.
2. These changes give emphasis to mobility and shock at the expense of staying power.

(CHART, Soviet armed forces manpower by purpose)

III. We estimate the strength of Soviet general purpose forces at 1.8 to 1.9 million men, out of a total force of 2.8 to 2.9 million. These

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figures are a bit lower than our estimates in previous years, but this reflects more a re-appraisal of intelligence than any major reduction by demobilization. There has been some slight demobilization since 1961.

IV. Tactical air power continues to play an important role, mainly for air defense of Soviet ground forces.

(CHART, Soviet aircraft by mission)

A. Tactical air forces currently have about 3,250 aircraft in operational use. Most are interceptor types, but some could deliver nuclear weapons.

B. We have noted a steady addition of new supersonic aircraft to tactical air units, with first priority going to Soviet regiments in East Germany.

V. Modernization of the general-purpose forces will continue in the future. Recent trends point to Soviet efforts to improve the non-nuclear capabilities of their ground forces. By 1970, the USSR will probably reduce the number of divisions slightly, but may keep a greater proportion in combat-ready status.

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A. In addition, we may have seen the first steps toward Soviet acquisition of a real capability for the rapid mounting of limited long-distance military actions: air and sea lift is being improved, there is a greater emphasis on airborne operations, and a marine corps has been re-established. This is an entirely new development, because until now Soviet military forces have been landlocked, without combat sea lift and with no air lift of any significance.

VI. We have detected significant changes in the military forces of the East European satellites in the past several years.

A. The European satellites can contribute about a million men and more than 30 full-strength divisions to Warsaw Pact needs.

B. Increasingly over the past two years, the Soviets have been giving these satellite forces very modern weapons, such as tactical missiles and rockets, and new models of fighter aircraft.

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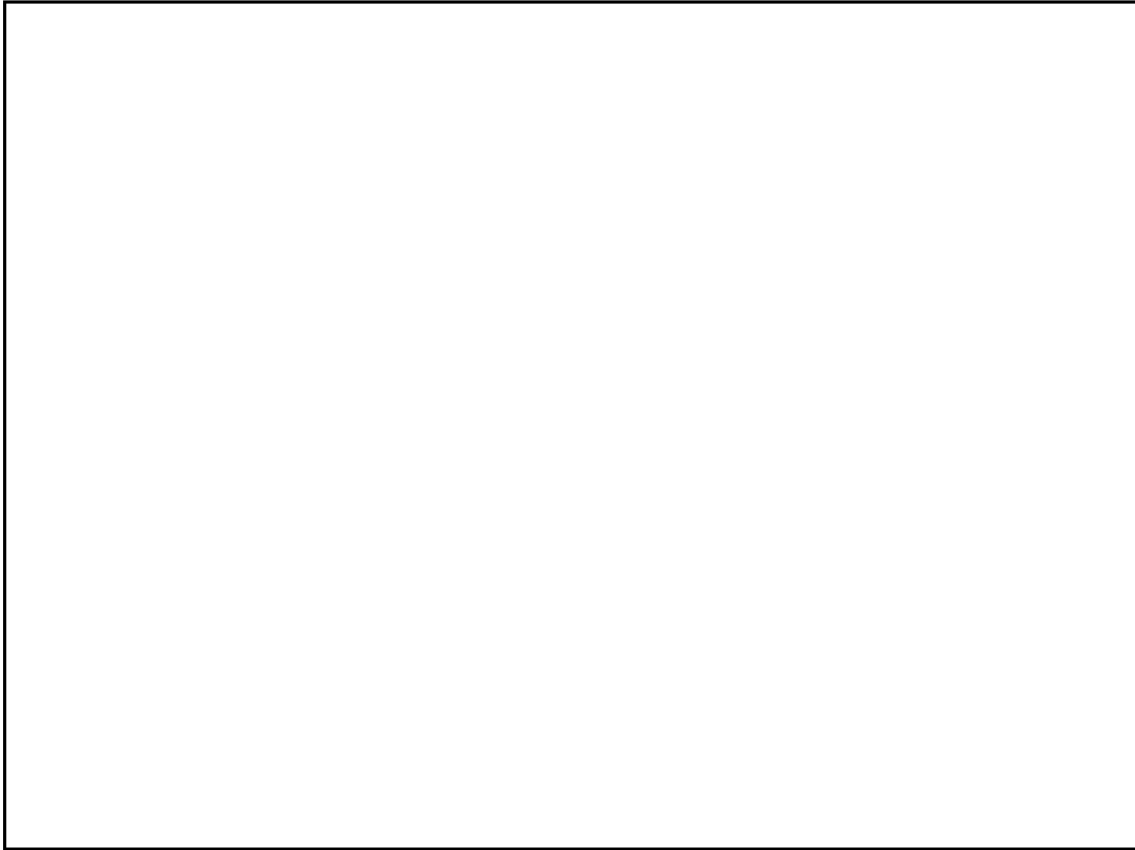
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(PHOTO, SS-8 in parade)

C. The missile in this picture is the SS-8, appearing in the latest November Parade in Moscow. It is the first ICBM ever displayed by the Soviets. The SS-8 was developed just after the SS-7, and has been deployed to only a small number of launchers. We believe it will soon be phased out of the operational inventory.

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VI. The Soviets also have approximately 750 launchers for medium-range and intermediate-range ballistic missiles.

(MAP, MRBM/IRBM deployment)

A. About 90 percent of these launchers are in the western USSR, where their missiles could deliver a devastating attack

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against targets in Europe and the Middle East.

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III. The current Soviet air defense system is equipped with an impressive quantity and variety of weapons

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A. The SA-2, the surface-to-air missile system deployed to Cuba, is the mainstay of Soviet surface-to-air missile defenses, backed up by the low-altitude SA-3.

(PHOTO, SA-2 site)

1. This is a photograph of an SA-2 site in Cuba

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B. The fighter interceptor force is very large,

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SOVIET ANTIBALLISTIC MISSILE AND SPACE DEFENSES

I. [redacted] we have been watching intensive Soviet efforts directed toward the development of an antiballistic missile capability.

A. The magnitude of this development effort, together with early moves to deploy at least

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DRAFT DCI BRIEFING FOR
SENATE FOREIGN RELATIONS COMMITTEE

THE SOVIET ECONOMY

- I. The Soviet economy is large, and it continues to grow.
 - A. Since 1958 its Gross National Product has been about one-half that the United States.
 - B. The Soviets, however, allocate their output by standards which differ greatly from ours.
 - C. Their allocations stress the elements of national power. They give high priority to the continuing modernization of their military forces, to space programs, and to modernization of industrial capacity.

(CHART, US and Soviet GNP by end use)

- 1. Thus, as this chart shows, in dollar values Soviet spending for defense and for investment approaches our own. The portion of their investment allocated to industry, in fact, exceeds our own.
- 2. When it comes to consumption, however, a Soviet population which is almost one-fifth larger than ours gets less

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than one-third of what is spent for consumption here.

3. The consumer's welfare is further reduced by the poor quality and assortment of goods, and by his lack of choice; for example, the consumer would prefer additional housing, but he cannot get more housing by voting with his rubles in the market place.

II. While the Soviet economy continues to grow, a general slowdown has become evident in recent years.

(CHART, US and Soviet Annual GNP growth rates)

- A. The Soviet GNP growth rate, which was averaging about seven percent a year in the late 1950's, works out to about four percent a year for the early 1960's.
 1. The 1964 increase was a healthy five to six percent, but a substantial part of this apparent growth is merely the recovery from the poor performance in 1963, when a near-disaster in agriculture kept GNP growth down to less than two percent.

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(CHART, Industrial Production, US vs. USSR)

2. In industry, 1964 saw the continuation of the slow decline in rates of growth from eight-and-one-half- percent annually in the period 1956-59 to seven percent in 1960-62 and now to six percent. Official Soviet statistics, incidentally, confirm this decline in industrial growth, although the Soviet index of industrial production typically runs about two percentage points above our own calculations.
3. In contrast, US industrial growth was relatively slow from 1957 to 1961, but since 1961 has been about as fast as that of the USSR.
4. The pattern of growth in Soviet GNP in the present period, in summary, is a composite of:
 - (a) erratically fluctuating agricultural production with small long-term growth, and
 - (b) slowly declining growth rates in industry.

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B. Two major causes of the decline in the rate of growth of Soviet industrial production are, first, the inability of the Soviets to maintain the rate of growth of investment in new productive capacity, and second, the competition of defense spending for high-quality resources needed to support the modernization of industry.

1. The Soviet economy chronically runs at full throttle. When one activity is accelerated something else must slow down.

(CHART, Annual growth rates in investment and defense)

C. Thus, investments, which this chart shows growing at an impressive annual rate in the years when defense spending was curbed, declined after defense expenditures began to increase again.

1. It is interesting to note that when defense expenditures level off, as they did in 1963 and 1964, this halts the drop in the rate of investment growth.
2. The failure to maintain the growth of investment has caused the Soviet leadership to keep in service old factories

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and equipment that ordinarily would be scrapped. This "solution," of course, is only temporary and has had predictable effects in damping the growth of output per worker in industry.

III. Defense spending--in which we include the Soviet space program--is growing less rapidly in total right now, but it remains a problem for the whole economy.

(CHART, total defense expenditures and proportion devoted to exotics--R & D, adv. wpn. procurement, etc.)

- A. This is primarily because advanced weapons and space programs require the best and scarcest inputs of skilled scientists and engineers, new alloys and other high-cost materials, and the most advanced industrial processes.
- B. These are the very inputs which are also needed to carry through the modernization of the civilian economy, and in this key area the competition for critical resources remains intense.
- C. In this competition, the civilian economy fares rather badly. Our best measure of

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this is our estimate of the increases in Soviet spending on military research and development, the space program, and the procurement of advanced hardware for missiles, radars, and nuclear weapons.

(CHART, Spending for R&D, etc.)

1. As can be seen quite clearly in this chart, these expenditures are growing much faster than total military spending. They have just about doubled since 1958.
2. Within this trend, the procurement has tended to level off, but Research and Development spending continues to rise. This supports the point I made earlier that the Soviets are putting great stress on achievement of qualitative improvements.

D. Mr. Kosygin in his economic report last month announced a cut in the defense budget of 500 million rubles (about 550 million dollars); however, other items in the budget--such as scientific research--conceal additional spending on defense programs. These

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concealed items are more likely to rise than those in the announced budget. In general, we believe that there will be a slow increase in Soviet defense spending over the next few years.

IV. Another basic difficulty of the Soviet economy, of course, is agriculture, which exerts a drag on the whole economy.

A. The problems here are chronic--a long history of neglect, the inherent deficiencies of the collective farm system, some real limitations in soil and rainfall, and the difficulty of training enough skilled farm managers and mechanics and of keeping them down on the farm. We believe that a number of programs for more fertilizer and more mechanization will fall short of desired results for lack of enough skilled people and the motivation for carrying out the programs.

(CHART, Total and per capita agricultural production)

B. Crop production made a considerable recovery in 1964, but livestock did not, so that total agricultural production last year was

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about at the level of 1961. On a per capita basis, of course, with the constant increase in population, it was lower than either 1961 or 1958, the two relatively good years on the chart.

- C. In mid-1963, Khrushchev sponsored a large crash program for the "chemicalization" of the economy. This chemical program was aimed at aiding agriculture by raising the annual production of chemical fertilizers from 20 million metric tons in 1962 to 35 million in 1965 and to 70 million metric tons by 1970; in addition, large increases in plastics and man-made fibers were scheduled. The new leadership has already modified this program in important particulars--softening the "crash" elements in the program, reducing sharply the increase of investment scheduled for 1965, and acting very cautiously in taking up the long-term credits available for importing equipment from the West.
- V. There is also a more general reason for this slowdown with which the Soviet economic planners have to contend.

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A. The Soviet economy is becoming more developed and mature. It has already drawn from the land to the cities most of the excess rural workers agriculture could spare. By and large, the easiest technological gains have been made, including those gains taken over lock-stock-and-barrel from the US and Western Europe. Further technological gains will require more domestic R&D--and more resources.

B. As a result, every percent of future growth is a little harder to achieve. To put it another way, each unit of new capital and additional man hours produces an increase in production, but each year the gain from these extra inputs is a little smaller.

(CHART, Direction of Soviet foreign trade)

VI. One of the consequences of all this can be seen in what has happened in the area of Soviet foreign trade.

A. The Soviets have been trying to increase their industrial imports from the West--everything from large diameter pipe to entire industrial complexes--as you are

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well aware, and as you can see from the bottom segment of each of these bars.

(CHART, Soviet financing of hard currency deficits)

B. For these industrial imports from the West, the Soviets have had to depend on medium-term credits. Their exports have not been generating enough hard currency to cover imports. This last year, payments of interest and principal just about matched new extensions of medium-term credits, so there was no net gain in ability to import.

C. The medium-term debt piled up in this way has grown rapidly since 1959. Last year it reached some 620 million dollars.

(CHART, Soviet gold production, sales, and reserves)

D. Another way the Soviets have paid for their imports is with gold. This has led to an almost precipitous drop in their gold reserves. By the end of 1964, these were down to only about one and a half billion dollars.

E. When Khrushchev started to push hard with his program for the chemical industry in the middle of 1963, he knew he would have

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to get machinery from the West, and that he would have to get it on credit--long-term credit.

- F. The new leaders are cutting back the chemical program somewhat, and are not pushing very hard at present for long-term credits.
 - 1. We think they will probably not resume the drive for long-term credits until they are more sure of their needs for the period of the next Five Year Plan--from 1966 through 1970--and have a better idea of their export potential.
- G. The Soviet "trade drive" in the underdeveloped countries has also slacked off. Trade between the USSR and a selected group of developing nations rose substantially during the past decade, but there are no major new initiatives at present.
- H. Exchanges of important raw materials and manufactured goods with other Communist countries still account for more than 70 percent of Soviet trade. The sharp reduction in trade with Communist China has been offset by increased exchanges with Eastern European countries.

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(CHART, Soviet aid to Free World countries)

VII. While Soviet trade with the developing countries has fallen off, Soviet aid--which is more responsive to long-term policy considerations--is a vigorous and active program. This chart shows the scope of Soviet military and economic aid to Free World countries over the ten years that the Soviet Union has been engaged in the program.

- A. The blue bars represent extensions of economic aid, and the blue line linking them shows the extent to which these commitments have been fulfilled by deliveries. The red bars represent military aid agreements, under which delivery has generally been completed with little delay.
- B. As the USSR enters its eleventh year of aid activity in the Free World, the program is becoming increasingly complex, the immediate returns less discernible, and Moscow has learned by experience that a foreign aid investment does not guarantee a return in the currency of political influence.
 - 1. Moscow is, however, committed to maintain its old programs, and remains ready

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to consider aid for newly emerging states. Assistance to non-Communist countries was favorably reviewed by Soviet leaders in 1962 and 1963, and Khrushchev's fall is not expected to cause any modification of the foreign aid program.

2. After two years of relatively low extensions of new economic aid, the Soviet Union in 1964 again topped \$1 billion--largely due to sums offered to underwrite new five-year plans which start this year, such as Egypt's. Aid extended in 1964 amounted to \$860 million for Communist countries and \$820 million for Free World countries.

- C. The bulk of Soviet economic aid to the free world is focused on relatively few underdeveloped countries--those which Moscow believes are the most promising economically, and whose political policies are most compatible with long range Soviet aspirations. However, new programs are initiated when exploitable circumstances occur, as in Africa today. The Soviets are also now competing with Communist China in Africa.

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D. While deliveries under the aid program grow, repayments are beginning to reduce the impact on the economy and the burden of current exports on credit. (Almost all Soviet economic and military aid is extended under loans that are to be repaid).

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VIII. Soviet military aid frequently is given with less restraint than economic credits. It places less burden on the economy and it serves immediate political objectives more rapidly.

A. One-half of all military aid to non-Communist nations has gone to two pivotal countries--Egypt and Indonesia--whose political policies, while not necessarily consonant with those of Moscow, have discomfited the West.

1. The Middle East is generally committed to bloc arms. The development of the United Arab Command--dominated by Egypt--probably assures Moscow of preeminence in Middle East military programs. For example, Nasir is pressing Jordan and Lebanon to obtain MIG jet fighters.
2. Current military assistance to Indonesia continues to maintain a toe hold for the Soviets in Asia.
3. The USSR, learning by experience, is proceeding cautiously with military aid for new, unsophisticated, and politically volatile African states.

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B. The Soviet military aid program continues, however, to grow in scope and content. Advanced weapons systems now are a standard export item. The USSR continues to supply advisory missions, and to expand the training of free world military officers at its institutes, and is now supplying arms production facilities, for instance, a MIG jet fighter factory for India.

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- IX. Economic problems certainly had something to do with Khrushchev's fall.
- A. We have no evidence, however, that his successors are planning any major changes for this year in the pattern of economic allocations.
 - B. We are highly skeptical of the announced cut in defense expenditures for 1965.
 - C. In his speech last month, Mr. Kosygin promised an expansion of housing construction in 1965 by some 10 percent over 1964. Such promises have usually been underfulfilled in recent years.
 - D. There are two areas, however, where some changes have been in motion--economic organization, and economic thought.
 - 1. Organizationally, the new leaders are already busy trying to undo some of what they have referred to as Khrushchev's "hare-brained schemes"--for example, the division of the Communist party into separate industrial and agricultural organizations.
 - 2. They are also experimenting with the ideas of Professor Liberman and others who would like to see profits and the market play a much greater role in guiding production.

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3. Recently it was announced that four hundred plants in the garment and footwear industry are to operate under a system giving the plant manager much greater freedom in determining the quality, the assortment, and even the prices of the factory's output.

D. Obviously, Marxism-Leninism is not going to tell the Soviets how to solve their problems. On the contrary, they are now in fact rifling the storehouse of Western ideas for ways and means of coping with their economic difficulties.

VIII. While the Soviet economy has slowed down pretty much across the board in recent years, the growth has by no means come to an end.

- A. Western, and Yugoslav, ideas will help to the extent that the Soviet Union actually adopt them. (Czechoslovakia and other East European countries, incidentally, show signs of putting more Westernized concepts into practice in their economies.
- B. Some of the things the Soviets are trying in agriculture are intelligent. Barring bad weather, agricultural production should rise--perhaps an average of three to four percent a year over the next five years or so.

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C. Our analysis by no means suggests that the Soviet economy will be unable to sustain a vigorous military and space program.

1. These expenditures may level off, or even shade down a little, between now and 1970. On the other hand, they might continue to rise by as much as 20 percent. In either event, the strain on scarce resources is going to remain, and perhaps even grow.
2. In short, we are not prepared to forecast that economic pressures are driving the Soviet Union into a corner where it will be willing to accept new arms control measures.

IX. Our best guess is that the growth of Soviet Gross National Product for the rest of this decade will average between four and six percent a year. Just where it falls within this range will be determined to a considerable degree by weather and its effect on agriculture, and by future trends in defense spending.

A. In any case, the more general problems of industrial maturity and backward agriculture are going to make it difficult to sustain a six

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percent rate of growth, and the rate is very unlikely to regain the seven percent level characteristic of the mid-1950's.

- B. The performance we envisage by the Soviet economy is not going to satisfy the Soviet leaders, and it will help stimulate renewed conflict within the Kremlin.
- C. At the same time, however, it will not really provide much comfort for us, because whatever the difficulties, it will continue to furnish the Soviets the necessary wherewithal for their challenge to the Free World.

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22 January 1965

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SOVIET DOMESTIC AND FOREIGN POLICY

- I. On the foreign and domestic political scene in the Soviet Union, the new Soviet leaders have made no far-reaching changes in Khrushchev's policies.
 - A. Last Friday they had been in power just 100 days. The big change to date has been in the style of rule.
 - B. The political scene is now remarkably businesslike, and the leaders seem to be approaching their problems in a cautious and conservative fashion.
 - C. It is obvious that there is no longer one individual dominating the scene.
- II. So far, collective leadership seems to be working, but we doubt that it can stand up over the long run.
 - A. At best, the current triumvirate of Brezhnev, Kosygin and Mikoyan seems to be only an interim arrangement.
 - B. Even Brezhnev, as party first secretary and thus first among equals, does not seem to have the skill and drive to build

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a machine that could give him one-man control.

C. Kosygin, the premier, is obviously a good administrator but is apparently not a political in-fighter.

D. Mikoyan is both too smart and too old to get seriously involved.

III. Still, in all likelihood, the new leader will emerge from the same group which served immediately under Khrushchev and which effected his ouster.

A. This group is made up essentially of professional party workers.

B. We see no indications thus far that other elements--the military or the secret police, for instance--will have any greater authority under the new regime than they did under Khrushchev's.

C. Within the political group, there seems to be ample talent from which another leader can emerge. Party secretary Podgorny will likely come forth as a challenger to Brezhnev, for instance, and there are several younger leaders--Polyansky and Shelepin, for instance--who may stand aside during the early stages and let the senior members fight it out.

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IV. Meanwhile, the system of collective leadership is being tested at every turn.

A. At this point, the question of key personnel appointments seems to be potentially the most divisive.

B. We are already beginning to see obvious examples of procrastination in this area-- suggesting that contending forces are emerging.

SINO-SOVIET DISPUTE

V. There is no evidence to suggest that basic differences between Moscow and Peiping have become more tractable as a result either of Khrushchev's ouster or of the bilateral talks held in Moscow during November between the Soviet leaders and Chou En-lai.

A. The first public pronouncements by the Soviet leaders after these events served notice that the Chinese should have no illusions that the USSR has abandoned or will compromise the "principled" positions it has long defended against Peiping's assaults.

B. The Chinese, in turn, have publicly declared that the future course of Sino-Soviet relations depends on the willingness of the

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new Soviet leaders to abandon Khrushchev's erroneous policies.

C. There have been some slight shifts in tactics, however.

1. The new leadership in Moscow moved to postpone a threatening confrontation by putting off until March first a preparatory meeting of Communist parties scheduled for mid-December and attacked by Peiping as illegal.
2. Both sides have muted the direct polemical attacks that were featured in their press before Khrushchev's downfall.

D. Irreconcilable differences between the two great powers are bound to result in a resumption of open polemics, however.

1. Competition for influence--especially marked in international front organizations, in Africa, and in Indonesia--never ceased.
2. The Chinese have again begun to reprint derogatory articles about the Soviet Union from publications in Communist countries which side with Peiping.

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This is usually a forerunner of
Peiping's own bitter assaults.

GENERAL SOVIET FOREIGN POLICY

VI. The present generally cool Soviet attitude toward the US reflects Moscow's preoccupation with the Sino-Soviet problem and the inhibitions this dispute imposes on Soviet policy toward the US.

A. The main intention of the Soviet leaders appears to be to keep lines open for contact and exchange with the US and to continue efforts to reach agreements of a strictly bilateral nature.

1. Medium-level Soviet officials have voiced optimism about the early opening of new consulates, conclusion of a civil air agreement, and expansion of trade.

B. The December discussions between Foreign Minister Gromyko and Secretary Rusk underscored Moscow's reluctance to undertake any major foreign policy initiatives until the new leaders have consolidated their domestic position and assessed the views and policies of the new US administration.

1. Soviet propaganda commentary on US policies and actions in the Asian-African world reinforce the view that

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Soviet leaders are intent on building up a "good record" by Communist standards on these issues, in order to forestall Chinese allegations of Soviet cooperation with American "imperialists."

C. Soviet propaganda commenting on US policies and actions in Asia and Africa are obviously designed to build a record which would undercut Peiping's allegations that the USSR is "soft on Imperialism." At the same time, however, Soviet representatives have been telling us that the harsh public criticism does not imply any radical change in Kremlin attitude toward the United States.

D. The USSR is taking the line that, except for press speculation, there was no formal invitation in the President's State of the Union message for an early US-Soviet summit meeting.

1. The Soviets are probably deferring high-level contacts with the US so long as key East-West issues such as MLF and Indochina are in a state of flux, and until after President Johnson has

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concluded his trips to Western Europe and Latin America.

2. In any event, Premier Kosygin and other Soviet leaders already are booked into mid-summer for meetings with foreign statesmen.
3. The Soviets probably have a real interest in establishing direct contacts with President Johnson at a later date, and have already begun to drop private hints that such a meeting could be useful.

VII. In the United Nations, the Soviets appear confident that if there is a showdown vote on Article 19--which would also threaten to deprive France and several other members of their votes--there will be enough abstentions to jeopardize prospects for a US victory.

- A. The USSR has said it is willing to make a substantial voluntary contribution to overcome the UN's financial difficulties, but refuses to say how much, or to pay before normal voting is resumed. Gromyko has called US suggestions as to how much the Soviets should pay "unrealistic and ridiculous."

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B. The Soviets insist that the Security Council is the only organ competent to commit the UN to future peacekeeping operations.

VIII. Soviet European policy obviously still regards any form of German participation in the strategic forces of the West as a major challenge to Soviet interests.

A. The Soviets have endorsed a number of European security proposals in their efforts to defeat or delay MLF and the various alternate proposals for nuclear sharing in NATO.

B. The communiqué of the recent Warsaw Pact meeting suggests to us that the high-level talks were held primarily as a dramatic show of Soviet bloc unity against any form of multilateral nuclear capability.

C. The Kremlin leaders probably do not expect any new departure on the basic problem of Germany in the near future. Moscow has proposed that US-Soviet discussions might be resumed at the point where they broke off in 1962, but indicated there isn't much point unless we can offer some important new approach.

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- IX. As for Moscow's relations with its European satellites, it appears unlikely that there will or can be any drastic change in Khrushchev's relatively liberal policies toward the testy new nationalism of the East Europeans.
- A. The Soviet regime probably realizes that since Khrushchev's ouster the chances for instability and independent policies in Eastern Europe are as great or greater than before.
- B. The Sino-Soviet dispute makes this a sensitive spot which becomes even more tender when the US jostles it. In reaction to the State of the Union message, Soviet Ambassador Dobrynin complained that American references to improving US relations with Eastern Europe always seemed to take the form of "separating these countries from the Soviet Union."
- X. Soviet foreign policy toward Southeast Asia appears to be caught in a real dilemma between the need to prove that the Soviet Union is as dedicated as China to Communist victories in that area, and the fear that Communist gains may evoke US escalation moves, in response to

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which the Soviet Union would have to, in effect, put up or shut up.

- A. In this situation, the Soviets have followed a familiar pattern of vague warnings of possible Soviet intervention and vigorous propaganda support for Communist forces combined with indirect diplomatic feelers and maneuvers aimed at bringing about negotiations.
- B. Soviet approaches to France and India appear to be probing the possibility of a new international conference on Laos, probably in the realization that the Vietnamese situation is hardly ripe for negotiations at the present juncture.
- C. In regard to Indonesia, which until now has obtained the bulk of its Communist armament from the Soviets, Moscow is concerned that both the present Sukarno regime and the Indonesian Communist Party are coming under increasing Chinese influence. The Soviets indicated their displeasure over Sukarno's withdrawal from the UN both publicly and privately, but in response to inquiries from Djakarta reportedly offered assurances that this would not affect Soviet policy or its remaining arms commitments.

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**PROPOSED OVERALL CONCLUSION
FOR FULBRIGHT BRIEFING**

XI. In regard to Cuba, the new Soviet leaders immediately reaffirmed strong Soviet support for the Castro regime. Moscow propaganda has continued to back up Havana's demands for an end to U-2 overflights and the US presence at the Guantanamo Naval Base.

A. On these two specific issues, however, Moscow and Havana alike probably envisage a protracted period of propaganda, maneuver, and psychological pressure, rather than an early showdown.

B. We suspect that at the same time that the new Kremlin leaders assured Castro of their continued support, they also told him that it was imperative to straighten out his floundering economy and to begin looking for some modus vivendi with the United States.

1. Moscow is certainly aware that Fidel Castro's preference for the more militant doctrines of Peiping is restrained primarily by his dependence on Moscow for economic handouts he cannot get from the Chinese.

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2. This leash, however, is a painfully expensive one; in very round figures, we believe it costs Moscow in the neighborhood of two million dollars a day, or a billion a year for the bloc as a whole, to keep Castro in power and his regime viable.

CONCLUSIONS

XII. To sum it all up, the Soviet Union today faces a succession of thorny decisions.

- A. On the one hand, the Soviets feel compelled to support what they call "national wars of liberation," not only because of the Sino-Soviet dispute, but in their own long-range interests and out of ideological conviction.
- B. On the other hand, it is increasingly imperative to improve the lot of the Soviet citizen, and this can happen only in an atmosphere of reasonably good relations between the Soviet Union and the United States.
- C. Their dilemma will continue to dictate such compromise solutions as the indirect support which the USSR is almost certainly giving the Congolese rebels through the

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radical African states--reportedly replacing or financing any materiel which nations such as Algeria, Ghana and the others send into the Congo.

- D. Within the limitations imposed by the dispute with Mao and by the Soviet Union's own vital interests, we can expect the Kremlin leaders to give a hearing to possibilities for minor bilateral agreements which could advance a detente with the United States.
- E. I do not, however, believe for one minute that the Communists have given up their long-range goals of world domination. They would undoubtedly prefer to get there by "peaceful coexistence," as they call it, rather than militant adventurism and aggression. They would like to find some way to reduce the burden of their armaments on the Soviet economy. They are in need of a breathing spell, and of extensive Western credits to expand their industry and revive agriculture.
- F. But in the final analysis, we must focus our attention and our guard on the dynamic Soviet effort to gain the upper hand in

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the global military balance. At the cost of inspection, the way is open to them to slow down the arms race and divert their energies to domestic welfare. As long as they refuse to take this road, we can only ask "Why?"--and ensure that we stay ahead of them.

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